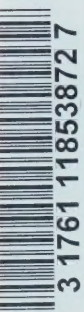


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*Ontario Hydro-Electric Commission, 1922*  
*Report*  
*Library of Parliament*  
*Aug 22 1908*  
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# HYDRO-ELECTRIC INQUIRY COMMISSION

## INTERIM REPORT ON THUNDER BAY SYSTEM

W. D. GREGORY, CHAIRMAN  
M. J. HANEY  
LLOYD HARRIS  
J. ALLAN ROSS  
R. A. ROSS

COMMISSIONERS


JOSEPH H. W. BOWER  
SECRETARY











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To His Honour, Henry Mackenzie,

Lieutenant-Governor of the Province of Ontario.

May it please Your Honour:

Having been by Letters Patent directed to inquire into, consider and report upon, among other things, all power developments undertaken by the Hydro-Electric Power Commission of Ontario, and generally all matters of expenditure and administration by the said Commission:

**COPY**

Soon after we began our inquiry it was represented

to us on behalf of the City of Port William that a situation existed in the Thunder Bay District which warranted

our attention. Hearings were thereupon held by us at the

Cities of Port William and Port Arthur, and later at the

City of Toronto. The work of our engineers and assistants

in respect of the construction of the plant and the

hydraulic features of the undertaking in the Thunder Bay

District is not yet sufficiently advanced to enable us to

report upon these subjects, but we are now in a position to

report upon the other features of the undertaking and

respectfully submit this report thereon. In our report we

shall generally refer to the Hydro-Electric Power Commission

of Ontario as the "HYDRO-ELECTRIC COMMISSION".

Very respectfully,  
J. H. MACKENZIE

By J. H. MACKENZIE, Lieutenant-Governor of the Province of Ontario.

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T H U N D E R B O L T  
K E Y S T O N E

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REPORT OF THE HYDRO-ELECTRIC COMMISSION.

To His Honour, Henry Cockshutt,

Lieutenant-Governor of the Province of Ontario.

May it please Your Honour:

Having been by Letters Patent directed to inquire into, consider and report upon, among other things, all power developments undertaken by the Hydro-Electric Power Commission of Ontario, and generally all matters of expenditure and administration by the said Commission:

PORT WILLIAM AND PORT ARTHUR

Soon after we began our inquiry it was represented to us on behalf of the City of Port William that a situation existed in the Thunder Bay District which urgently demanded our attention. Hearings were thereupon held by us at the Cities of Port William and Port Arthur, and later at the City of Toronto. The work of our engineers and accountants in respect of the construction of the plant and the hydraulic features of the undertaking in the Thunder Bay District is not yet sufficiently advanced to enable us to report upon these subjects, but we are now in a position to report upon the other features of the undertaking and respectfully submit this report thereon. In our report we shall generally refer to the Hydro-Electric Power Commission of Ontario as the "HYDRO-ELECTRIC COMMISSION".

The price paid by the Hydro-Electric Commission to the Kaministiquia Power Company was Fourteen Dollars (\$14.00) per horse-power at 22,000 volts and the price paid by Port Arthur to the Hydro-Electric Commission was approximately



To His Honor, Henry Cockburn.

Lieutenant-Governor of the Province of Ontario.

May it please Your Honor:

Having been by Letters Patent directed to inquire

into, consider and report upon, among other things, all

power developments undertaken by the Hydro-Electric Power

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and administration by the said Commission:

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respectfully submit this report thereon. In our report we

shall generally refer to the Hydro-Electric Power Commission

of Ontario as the "HYDRO-ELECTRIC COMMISSION".



CONTRACTS WITH HYDRO-ELECTRIC COMMISSION.

In 1917 the Cities of Port Arthur and Port William entered into the usual form of contract with the Hydro-Electric Commission whereby the Commission was authorized to construct or purchase works for the purpose of supplying power; each municipality binding itself to pay for the cost of the works by paying a rate for power which would include cost of operation, cost of renewals, interest on cost, the necessary sinking fund and all other charges.

Although the contracts came into force in March, 1918, when they were **COPY** ratified by the Legislature, Port Arthur did not begin to take power under the contract until December, 1920. Port William is not under obligation to take power until August, 1926, when its contract with the Kaministiquia Power Company, a private corporation which generates power at Kakabeka Falls on the Kaministiquia River, west of Port William, expires. Prior to the time when these contracts were entered into the Hydro-Electric Commission had purchased power from the Kaministiquia Power Company for the City of Port Arthur. This contract would have expired in April, 1920, but was extended to the following December.

The price paid by the Hydro-Electric Commission to the Kaministiquia Power Company was Fourteen Dollars (\$14.00) per horse-power at 22,000 volts and the price paid by Port Arthur to the Hydro-Electric Commission was approximately



CONFIDENTIAL - SECURITY INFORMATION

In 1927 the United States Army and Navy  
began the construction of the  
hydroelectric power plant at  
the mouth of the Colorado River  
in Arizona. The project was  
authorized by the Congress in  
1922 and the construction was  
started in 1923. The project  
was completed in 1931 and the  
power plant began operation in  
1932. The project was a  
major engineering feat and  
it was one of the largest  
projects ever undertaken by  
the United States Army and  
Navy.

Although the contract was  
awarded to the United States  
Army, the project was  
managed by the United States  
Navy. The project was  
completed in 1931 and the  
power plant began operation  
in 1932. The project was  
a major engineering feat  
and it was one of the  
largest projects ever  
undertaken by the United  
States Army and Navy.  
The project was authorized  
by the Congress in 1922  
and the construction was  
started in 1923. The  
project was completed in  
1931 and the power plant  
began operation in 1932.  
The project was a major  
engineering feat and it  
was one of the largest  
projects ever undertaken  
by the United States  
Army and Navy.

The price paid by the  
Hydroelectric Commission  
to the United States  
Navy was \$2,000,000 and  
the price paid to the  
United States Army was  
\$2,000,000. The total  
price paid was \$4,000,000.  
The project was a major  
engineering feat and it  
was one of the largest  
projects ever undertaken  
by the United States  
Army and Navy.



- 3 -

Twenty Dollars (\$20.00) per horse power. The price paid by Fort William was Twenty Dollars (\$20.00) per horse power at 2,200 volts.

PROPOSED SITE OF POWER DEVELOPMENT.

In the public discussion which took place prior to the submission to the voters, in January, 1917, of the by-laws authorizing the contract between the municipalities and the Hydro-Electric Commission, the site of the proposed development was understood to be at Silver Falls, a point on the Kaministiquia River about fifteen (15) miles above the development of the Kaministiquia Power Company and known generally as Dog Lake. Estimates of the cost of power, based upon the Dog Lake development, were submitted by representatives of the Hydro-Electric Commission to Fort William and there is no doubt that the development at Dog Lake was the one in the minds of the electors when the vote was taken. Members of the staff of the Hydro-Electric Commission represented to the electors that the price of power, under the new contracts, would be substantially lower than it was under the then existing agreements with the Kaministiquia Power Company.



Twenty million (20,000,000) per horse power of  
horse power was twenty dollars (\$20.00) per horse power of  
2,000 volts.

THE KAMINISTIKIA POWER COMPANY

In the public discussion of the Kaminstikia  
to the submission to the voters, in January, 1917, of the  
proposed development of the Kaminstikia River, the size of the proposed  
development was understood to be at River Falls, a point on  
the Kaminstikia River, between (1) where the  
development of the Kaminstikia River Company and known  
generally as Big Lake. Submission of the cost of power,  
based upon the Big Lake development, were submitted by  
representatives of the Hydro-Electric Commission to the  
voters and there is no doubt that the development at Big  
Lake was the one in which it was decided to develop  
the Kaminstikia River, between the point of the Hydro-Electric  
Commission represented to the voters that the price of  
power, under the new contracts, would be substantially  
lower than it was under the then existing contracts with  
the Kaminstikia Power Company.



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PUBLICATION OF ESTIMATES.

It is laid down in the Power Commission Act as a prerequisite to the making of a contract between the Hydro-Electric Commission and a municipality that:

"The Commission shall.....furnish to the corporation a statement of the maximum price per horse power at which electrical power or energy will be supplied...and an estimate of the cost of constructing or providing a transmission line." and that "the provisional contract shall not be binding upon the corporation unless and until a by-law approving the same has been submitted to and has received the assent...of the electors qualified to vote on money by-laws; and the estimates of the Commission or a summary thereof and a copy of the provisional contract shall be published with or form part of the by-law."

It was clearly the intention of the Legislature that the estimates and maximum price of power should serve as a basis of the contracts between the municipalities and the Hydro-Electric Commission. It appears, however, that the Commission, almost from the beginning, adopted a policy of disregarding the terms of the Act. The municipalities of Fort William and Port Arthur were never furnished with estimates stating a "maximum price" nor were the estimates published with the by-law as required by the statute. On the occasion of the second vote in Fort William, the matter was the subject of communications between the Commission and the municipality in which the latter was advised by both the Secretary and the Chief Engineer of the Commission that:







"estimates must not be included in the by-laws, but there is no objection to publishing the estimated figures and any other explanatory matters separate from the by-law. These matters are important."

The effect of not making the estimates a part of the by-law or publishing them with it probably was to render it impossible to hold the Hydro-Electric Commission legally responsible for them. If the estimates had been published with or formed a part of the by-law, they might have afforded a ground for legal action if they were exceeded, while if they were omitted entirely, and the by-law later validated by the Legislature, this danger would be avoided.

Mr. Pope, the Secretary of the Hydro-Electric Commission, on being questioned by us, stated that the Hydro-Electric Commission adopted the policy of not publishing the estimates with the by-laws on the advice of counsel. The advice of counsel is in our opinion no justification whatever of the failure of the Commission to observe the plain term<sup>s</sup> of the Act. It is Trustee for the municipalities and bound to protect their interests with scrupulous care. Its estimates formed the basis for the agreements and it should always have been willing to assume full responsibility for them.

"estimates were not included in the  
by-law, but there is no objection to including  
the estimated figures and any other  
financial matters required by the by-law.  
These matters are important."

The effect of not adding the estimates is that of  
the by-law or publishing them with it is usually not to make  
it impossible to do so in the future. It is possible to  
repeal the by-law. It is the estimate that is the problem  
with or without a part of the by-law, then might have allowed  
a person the right to add or delete. While it  
may have been possible, the by-law later revised  
by the committee, the committee would be advised.  
The report, the committee of the by-law committee  
committee, or being published in the future and the  
committee committee adopted the policy of not  
publishing the estimates with the by-law on the basis of  
committee. The advice of counsel is in my opinion no  
justification whatever of the failure of the committee to  
observe the plain terms of the act. It is trustee for the  
municipalities and bound to protect their interests with  
every power. The committee committee would be the  
committee and it should always have been willing to answer  
the responsibility for them.



- 6 -

CAMERON FALLS

The by-laws having been adopted and the contracts between the two municipalities and the Hydro-Electric Commission having been signed and ratified, the next step was to begin work on the development. We have already pointed out that Dog Lake was the site that had been publicly announced, but it appears that before the announcement was made and the vote of the municipalities taken, the thoughts at least of the Commission had been directed to Cameron Falls on the Nipigon River, a water power that had long been the subject of contention between public and private interests. The minutes of the Hydro-Electric Commission of September 20th, 1916, state that:

"The question of the submission of estimates for the supply of power to Port Arthur from Nipigon and Silver Falls was discussed and the matter referred to the Attorney-General (Hon. Mr. Lucas) to ascertain what progress had been made in the matter of the leases of the power site on the Nipigon."

The Minutes of the Commission for December 19th, 1916, contain Mr. Lucas' reply. They state:

"Commissioner Lucas assured the Board that the lease and option in connection with the Nipigon power situation had expired and the rights now rested in the Crown."

ANNEX 1

The by-law having been adopted and the contract between the two municipalities and the Hydro-Electric Commission having been signed and ratified, the next step was to bring them to the attention of the Council. It was accordingly decided that they should be presented to the Council at its next meeting. The Council met on the 15th of May 1964 and the by-law was presented to it. It was then adopted and the contract was signed. The Council also decided that the Hydro-Electric Commission should be asked to pay the cost of the by-law. This was also agreed. The Council then met on the 22nd of May 1964 and the Hydro-Electric Commission was asked to pay the cost of the by-law. This was also agreed. The Council then met on the 29th of May 1964 and the Hydro-Electric Commission was asked to pay the cost of the by-law. This was also agreed.

COPY

"The Council of the Municipality of ...  
has the honor to inform you that the ...  
Hydro-Electric Commission has agreed to ...  
pay the cost of the by-law. This is ...  
in accordance with the terms of the ...  
contract signed on the 15th of May 1964.  
Yours faithfully,  
The Mayor of the Municipality of ..."

The Council of the Municipality of ...  
has the honor to inform you that the ...  
Hydro-Electric Commission has agreed to ...  
pay the cost of the by-law. This is ...  
in accordance with the terms of the ...  
contract signed on the 15th of May 1964.  
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has the honor to inform you that the ...  
Hydro-Electric Commission has agreed to ...  
pay the cost of the by-law. This is ...  
in accordance with the terms of the ...  
contract signed on the 15th of May 1964.  
Yours faithfully,  
The Mayor of the Municipality of ..."



- 7 -

SALE OF PULPWOOD LIMITS.

At the time, however, that Honorable Mr. Lucas made this statement to the Hydro-Electric Commission an advertisement of the limits adjoining Cameron Falls had been published. The advertisement stated that:

"The successful tenderer shall be entitled to obtain a lease from the Crown upon the usual terms, of some suitable water power either within the territory now offered for sale, or at some other suitable point within the Province, as may be agreed upon between the successful tenderer and the Minister of Lands, Forests and Mines."

In response to this advertisement tenders were received from C. J. Carrick and S. A. Marks for the Pic River and Black Sturgeon limits, respectively. These tenders were accepted, and with the acceptance of these tenders the Government became responsible for providing water power for the purchasers of the limits.

They elected to take a water power site on the Nipigon River and their selection appears to have been approved by the Government. Prior to the execution of the formal agreement in May, 1917, Marks had assigned his interest to Carrick who became the lessee of both limits.

When Sir Adam Beck found that the Government had given the right to a water power on the Nipigon River to the owners of the limits, he went to Sir William Hearst and

13. The time between the time the first person is called and the time the last person is called is 10 minutes.

U.S. DEPARTMENT OF AGRICULTURE

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See also: [Bibliography](#)

and several other factors. The authors conclude that the results of this study suggest that the use of a single, standardized, and validated instrument to assess the quality of life of patients with a specific disease is not sufficient to capture the full range of patient experiences. The authors suggest that the use of multiple instruments, each designed to assess a specific aspect of quality of life, may be more appropriate for this purpose.

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for the purpose of the same.

They planned to take a water tower off on the

Eligible sites are those with a minimum of 1000 m<sup>2</sup> of open water.

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- 8 -

protested against the action that had been taken and asked that the right given be cancelled. Sir William Hearst took the matter up with Carrick and on October 15th, 1917, wrote to Sir Adam Beck that the only water powers available for the owners of the limits were those on the Nipigon River, and if the owners of the limits were excluded from the river they would have to secure power elsewhere. Sir William Hearst added that, with the concurrence of the Commission he had assured Mr. Carrick that he could secure power from the Hydro-Electric Commission to operate any plant that he might erect. In another letter to Sir Adam Beck, dated June 4th, 1918, Sir William Hearst stated that:

"The Government was able to arrange with Mr. Carrick to release his rights to a lease of the necessary water powers on condition that the necessary power would be supplied to him by the Hydro-Electric Commission, and that the Government could not consider any plan for the development of the water powers at Nipigon without provision being made to supply the necessary power required for the operation of the plants demanded by the terms of the concessions in question."

On these conditions Mr. Carrick surrendered his rights to a water power on the Nipigon and the Hydro-Electric Commission went in and established its development there. The Commission was under no obligation to go to Nipigon. If it had not gone in Mr. Carrick would have been at liberty to develop the water power on his own account. By going in and





- 9 -

taking the water power for itself the Commission assumed an obligation to supply Garrick and his assignees with electric power necessary to operate any plant that might be erected to manufacture timber on their concessions.

These facts are of special importance in view of the position taken by Sir Adam Beck at the hearing before us that the Government had required the Hydro-Electric Commission to develop power at Nipigon and should therefore bear the large and increasing deficit arising from the present operation of the power plant erected there. The communications between the Government and Sir Adam Beck and Garrick are matters of public record.

The following is an extract from the evidence given before us by Sir William Hearst on the subject:

Q. - It might appear to some people that it was the Government who took the initiative in asking the Hydro to go ahead with this development. Now, did the Government do that, or did the Hydro go to the Government?"

A. - Oh, the Hydro came to the Government."

Q. - The Hydro took the initiative?"

A. - The Hydro took the initiative, yes."

COMMISSION SHOULD HAVE CONSULTED MUNICIPALITIES.

The Hydro-Electric Commission was trustee for the Cities of Port William and Port Arthur, and these cities were, under the contracts entered into by them with the Hydro-Electric Commission, responsible for meeting the cost of





the undertaking. If, therefore, Sir Adam Beck's contention that the Government required the Hydro-Electric Commission to make a more expensive development on the Nipigon River in order to provide power for the owners of the limits were well founded, it is clear that before entering upon this undertaking the Hydro-Electric Commission should have obtained from the Government an undertaking on its part to indemnify the Hydro-Electric Commission for the additional outlay it would have to make, both in construction and operation, through complying with the Government's request; or it should have obtained from the owners of the limits a firm agreement to take from the Hydro-Electric Commission such power as the Commission was required to provide for them. In the event of its not obtaining a guarantee from the Government or a fully secured contract from the owners of the limits, it should have declined to make the proposed development unless the municipalities of Port Arthur and Fort William, after having all the facts laid before them had consented to its doing so. It was of especial importance that it should do so because its representatives, as we have already pointed out, had announced that the development would be made at Dog Lake where the estimated cost was Three million dollars (\$3,000,000.) while the estimated cost at Nipigon was more than four times as great.

#### FUTURE TROUBLE.

A weak point in the situation from the standpoint





of the Hydro-Electric Commission was that while it now became responsible for providing power for the owners of the limits, the owners of the limits were under no obligation to take power from the Commission. This fact led to much trouble in the future.

NO PROVISION MADE FOR LIMITS.

Before the final decision to establish the development at Cameron Falls was announced, Mr. Gaby, Chief Engineer for the Hydro-Electric Commission, submitted a report in which he made an estimate of the future demand for power, and recommended that the development be located at Cameron Falls. It is to be noted that in his calculations he did not include the requirements of Carrick or his successors in title to the Black Sturgeon and Pic River pulp limits, but bases his recommendation on the prospective sale of power to other parties which he said a development at Dog Lake could not meet.

The attitude of the Hydro-Electric Commission is shown in a letter which, in the following September, while negotiations with Carrick were proceeding, Mr. Pope, the Secretary of the Commission, wrote to Mr. Carrick. In this letter Mr. Pope said:

"Unless the Commission receives a definite contract for the supply of power, it will be unable to consider future requirements you may desire to provide for."

No contract with the Commission was ever made by Carrick and it appears clear that the development at Cameron Falls was made without reference to the requirements





of the owners of the Black Sturgeon and Pie River limits.

POWER FROM CAMERON FALLS.

Work on the development at Cameron Falls was begun by the Hydro-Electric Commission in December, 1918. The development progressed rapidly and on December 20th, 1920, power from Cameron Falls was supplied by the Hydro-Electric Commission to the City of Port Arthur. Mr. Gaby's estimates of a demand for from 25,000 to 30,000 h.p. were far from being reached. For the year that ended October 31st, 1921, the Hydro-Electric Commission had only two customers for power, the municipality of Port Arthur and the Nipigon Fibre & Paper Co., the latter being located at the mouth of the Nipigon River, about sixty miles northeast of Port Arthur. The total amount of power sold that year was 10,533.3 h.p.

EXTENSION GIVEN GARRICK.

The original contract between the purchasers of the Black Sturgeon and Pie River limits and the Government provided that development work was to be begun and \$400,000 expended upon the limits by May 9th, 1918; but in January, 1918, Honourable Howard Ferguson, then Minister of Lands, Forests and Mines, wrote to Garrick a letter in which he said:

"Of course it is quite true that power is the crux of the situation and I realize until this problem is solved it is impossible for you to make progress. Under these circumstances and until the power is available (the underlining is ours) the Department cannot fairly ask you to make the other expenditures in connection with the erection of your mills."

to the history of the Black Church and its role in the

Work on the development of Common Pools was begun by the Hydro-Electric Commission in December, 1951. The development programme is being carried out in three stages. The first stage is the construction of a dam on the River at a point where the flow is about 10,000 c.f.s. per second. The dam will be 100 feet high and will have a crest width of 10 feet. The dam will be constructed of concrete and will have a spillway on the right bank. The second stage is the construction of a dam on the River at a point where the flow is about 10,000 c.f.s. per second. The dam will be 100 feet high and will have a crest width of 10 feet. The dam will be constructed of concrete and will have a spillway on the right bank. The third stage is the construction of a dam on the River at a point where the flow is about 10,000 c.f.s. per second. The dam will be 100 feet high and will have a crest width of 10 feet. The dam will be constructed of concrete and will have a spillway on the right bank.

The original contract between the Government of the State of New York and the Government of the State of New Jersey, dated May 1, 1914, and amended by the Act of May 1, 1915, and the Act of May 1, 1916, is hereby approved and the same is hereby confirmed.

With the exception of your milk.



In May, of the same year, the Hydro-Electric Commission not being in a position to furnish a supply of power, an extension of time for the development of the limits was granted. In this agreement it was provided that:

"The Grantee shall not be called upon or required to perform or enter upon the performance of the terms, conditions, duties or obligations, or any of them imposed or binding upon him, as in the said agreement (9th May, 1917) set forth, nor shall the payment and expenditures referred to in the said agreement or any of them accrue or be chargeable against the Grantee; nor shall the Grantee be deemed to be in any default whatsoever under the said agreement, until such time as an adequate supply of electrical power is made available for the Grantee sufficient for the operation of the mills provided for in the said agreement."

Under this extension agreement therefore, the period within which operations were to be commenced by the concessionaires of the pulp limits was extended until such time as "an adequate amount of electrical power is made available."

#### SALE OF THE LIMITS

Shortly after this extension was granted the Black Sturgeon and Pio River limits passed out of the hands of Garrick, having been sold by him to a corporation known as the Great Lakes Paper Company, Limited. Practically nothing had been done by Garrick upon the limits and nothing was done by his successors in title, the Great Lakes Paper Company, the Company taking the position that an adequate amount of power for the mills had not been made available and that until it was available they were not required to





proceed with development work.

CONTENTION OF NEW OWNERS.

Various negotiations took place between the Ontario Government, the Hydro-Electric Commission and the Great Lakes Paper Company, and at one time it seemed likely that an agreement would be arrived at whereby development work would be begun and power taken from the Hydro-Electric Commission, but in the end nothing came of the negotiations. The Great Lakes Paper Company not only took the ground that power was not available but that, if power were available, it was under no obligation to take it. It contended that it had an option to take power but was not compelled to exercise that option. In short a situation that should have been foreseen from the beginning was now reached.

RESULT OF GOVERNMENT SUIT.

In May, 1920, the Honourable Mr. Raney, Attorney-General, on behalf of the Province of Ontario, brought an action against the Great Lakes Paper Company, Limited, for a declaration that the Great Lakes Paper Company was bound to take power from the Hydro-Electric Commission. This action was defended by the Company and tried by Mr. Justice Rose, who gave judgment against the Province. In his Judgment, he said:

"My conclusion is that there is no document which can be construed as containing an agreement on the part of Mr. Carrick (or his successors) to take power from the Government, through the Commission; that there is no justification for implying or inferring such an agreement on his part."





SHOULD THE GOVERNMENT HAVE CANCELLED LEASE

Honourable Mr. Lucas, speaking for the Hydro-Electric Commission, took the ground before us that the Government should not have brought suit against the Great Lakes Company, but that it should have cancelled the concessions without invoking the powers of the Courts. The Government, no doubt, had power to cancel the concessions, and as it could not have been sued without the consent, it might have disregarded any legal or equitable claim of the Great Lakes Company. But would it have been wise or just to take such a course? Before bringing the action the Attorney-General submitted the matter to Mr. George H. Kilmer, Q.C., Mr. C.S. MacInnes and Mr. Christopher J. Robinson, K.C., all of whom were acting or had acted for the Hydro-Electric Commission. In the opinion given by them, these gentlemen, in referring to the question as to whether the Legislature or the Government should act independently of the Courts, said:

"In our opinion, legislative or executive action to enforce this obligation (to take power) would not be justifiable."

Mr. Kilmer appears to have later expressed a different view, but this was after the matter had been submitted to the Courts, and it would, as the Attorney-General pointed out, have been manifestly improper for the Government, after having submitted the question to the Courts, to have refused to accept their decision.

A NEW AGREEMENT.

After the judgment of Mr. Justice Rose, the

THE GOVERNMENT'S POSITION ON THE

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Government, in February, 1922, entered into a new agreement with the holders of the two limits, whereby the concessionaires agreed to spend Four Hundred Thousand Dollars (\$400,000) before February 9th, 1924, and Two Million Dollars (\$2,000,000) before February 9th, 1925, in constructing pulp and paper mills and the necessary accessories. The clause in the former agreement providing that power should be made available for the owners of the limits is omitted from the new agreement; and as matters now stand, power or no power, the Great Lakes Paper Company has to spend \$2,000,000 and perform other obligations before February 9th, 1925, or lose its property. Thus was settled, for the time being at least, the differences between the Government and the limit holders.

#### THE SALES OF POWER.

We have already stated that in the year ending October 31st, 1921, the Hydro-Electric Commission had only two customers of which the Nipigon Fibre & Paper Company was one. The Nipigon Fibre & Paper Company had one failing - it never paid a single bill rendered to it by the Hydro-Electric Commission, and in October, 1921, it ceased operations. Shortly afterward it went into bankruptcy and is still there. Among its liabilities is an account due the Hydro-Electric Commission of \$42,000. Fortunately the Hydro-Electric Commission has a bond of \$40,000 from a responsible Guarantee Company so that nearly the whole of the debt up to October 31st, 1921, is likely to be recovered.





ONE CUSTOMER ONLY IN 1922.

During the year 1922 the Nipigon Fibre & Paper Company, according to the statements of the officers of the Hydro-Electric Commission made to us, is being billed for 3067 h.p., at \$24. per horsepower although it is taking no power. This claim is based on the agreement of the Nipigon Fibre & Paper Company to pay for a minimum amount of power whether taken or not. From evidence given before us by officials of the Hydro-Electric Commission it appears that negotiations with new interests that may take over the plant of the Nipigon Fibre & Paper Company have been carried on with a view to getting them to assume the past obligations to the Hydro-Electric Commission, but no such agreement has been arrived at and the prospect of ever recovering any part of the account for 1922 appears to be remote. The City of Port Arthur is today the only customer of the Hydro-Electric Commission that is taking power from it in the Thunder Bay District.

STATEMENT FOR 1922.

The year that ended on the 31st of last month is the first full year of operation of the development at Nipigon. The financial statement for the year is not yet complete, but Mr. G. T. Clarkson, the auditor of the Hydro-Electric Power Commission has given us the statement of receipts and expenditures for the first nine months of the year and a careful estimate for the last three months. Mr. Clarkson's statement for the year which ended October 31st, 1922, is as follows:





Expenditure:-

Operation (including direct maintenance  
and administration expenses).....\$62,148.17

Water Rental (based on 50¢ per horse-  
power for power delivered to Port  
Arthur)..... 4,388.00

Interest on Nipigon development at  
6.2% and on original line and  
station 4.5%.....408,340.57

Reserve for renewals (on depreciable  
plant 1.023% of \$4,628,440.77)..... 46,861.15

Reserve for contingencies (25¢ per  
horse-power on power delivered to  
Port Arthur)..... 2,194.00

Total operating charges.....\$523,931.89

Revenue:-

From Port Arthur (average load at  
\$25. per horsepower).....\$219,409.28

From Nipigon Fibre &  
Paper Co. (75% previous  
maximum load)..... 73,615.20

Total Revenue.....293,024.48

Deficit for the Year.....\$230,907.41

In his statement Mr. Clarkson places the amount that will be received from Port Arthur at \$219,409.28. This is estimated at \$25 per horsepower, whereas Port Arthur is paying only \$20 per horsepower, which is the rate that it paid before the construction of the Nipigon development. It refuses to pay more and the Hydro-Electric Commission has promised it power at this rate on certain conditions. If Port Arthur should pay only \$20 per horsepower the receipt from that municipality would have to be

SECRET

Special Agent in Charge, Bureau of Investigation  
Washington, D. C.

Dear Sir: (Based on the fact that  
the above-named person is a  
subject of the Bureau's investigation.)

Enclosed for you are two copies of a letterhead memorandum  
dated and captioned as above.

Very truly yours,  
Special Agent in Charge

Enclosed for you are two copies of a letterhead memorandum  
dated and captioned as above.

Very truly yours,  
Special Agent in Charge

Enclosed for you are two copies of a letterhead memorandum  
dated and captioned as above.

Very truly yours,  
Special Agent in Charge

Enclosed for you are two copies of a letterhead memorandum  
dated and captioned as above.

Total operating expenses.....\$100,000.00

Revenue:

From the sale of the land at  
the rate of \$100,000.00

From the sale of the land at  
the rate of \$100,000.00

From the sale of the land at  
the rate of \$100,000.00

Total Revenue.....\$100,000.00

Balance for the year.....\$100,000.00

In the statement of the Bureau, it is stated  
that the total amount of the loan is \$100,000.00.

It will be noted that the total amount of the loan is \$100,000.00.

This is estimated at \$100,000.00, which is the total amount of the loan.

in paying only \$100,000.00, which is the total amount of the loan.

It will be noted that the total amount of the loan is \$100,000.00.

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reduced by \$43,881.86, and the net deficit would be increased by that amount. It will be noted that Mr. Clarkson placed the receipts from the Nipigon Fibre & Paper Company at \$73,615.20. This Company, as we have already pointed out, is in liquidation and its prospects dark. No part of the item credited in respect of it has been paid and the full amount of the item should, in our judgment, be eliminated from the revenue - for the present at any rate. If the revenue were decreased by this amount, the deficit would be increased by an equal amount and would amount to \$304,522.61. If the power sold to Port Arthur be placed at \$20 per horse-power, \$43,881.86 more would have to be added to the deficit, making the total deficit for the year \$348,404.47. With these changes the statement for the year ended October 31st would be as follows:

Expenditure-

As per statement of Mr. Clarkson  
hereinbefore given.....\$523,931.89

Revenue -

From Port Arthur at \$20 per horse-  
power..... 175,527.42

Deficit for the year...\$348,404.47

NO SINKING FUND

In the statement of expenditure no charge whatever is made for sinking fund, although the contracts with Port Arthur and Port William provide that a forty year sinking fund shall be established. We are advised that the Hydro-Electric





Commission has no power to defer it; but whether deferred or not it will have to be paid; if not now, then hereafter.

RATE OF INTEREST.

In a statement furnished to us by the Hydro-Electric Commission the rate of interest payable by it to the Government in respect of the Wipigon Development has been placed at 5 per cent. We are informed by Sir Adam Beck and other officials of the Hydro-Electric Commission that about January, 1920, at a conference held with the Provincial Government regarding a certain contract for the sale of power then under discussion, it was suggested that the Government reduce the rate of interest to 5 per cent. Sir Adam Beck and these officials state that this proposal was assented to by the Government. Honourable Mr. Drury and other members of the Cabinet, who appeared before us, state that the subject of interest was referred to casually and that there was no thought on the part of the Government of undertaking that the Province should pay any part of it. Mr. Drury stated that the Government had no right to lower the rate, the Legislature having conferred on it no power to do so.

The interest rate payable to the Government is dealt with in sub-section 1a of Sec. 15 of the Power Commission Act, which reads as follows:

"The Commission shall pay to the Treasurer of Ontario annually interest on the indebtedness of the Commission to the Province for moneys advanced to the Commission by the Province as may from time to time be determined by the Lieutenant-Governor.





in-Council as sufficient to reimburse the Province the full amount of interest paid by the Government on moneys raised for the purposes of the Commission and the charges incurred by it in providing such money."

Since 1917, when the Statute was passed, the rate has been made up by the Government on the basis fixed by it.

Although Sir Adam Beck states that the arrangement to charge the Hydro-Electric Commission only 5% was made in January, 1920, it is clear that when the rate for 1920 was fixed at the end of that year it was fixed at 6.2 per cent. This rate was assented to without question by the Hydro-Electric Commission and cheque to cover it was given by the Hydro-Electric Commission to the Government.

Apparently, nothing was said, and certainly nothing was done, to suggest that the rate should be 5 per cent. until the end of October 1921, or nearly two years after the alleged promise of a 5 per cent rate was made. At the end of 1921 the interest statement as between the Government and the Hydro-Electric Commission was made up in due course at 6.5 per cent., the rate being based upon the statute. Instead of paying this amount, however, the Hydro-Electric Commission made up interest and other charges on the basis of 5 per cent and charged back to the Government all interest and charges over 5 per cent. which had been paid by it to the Government in the years 1918, 1919 and 1920. This alleged over-payment which was charged by the Hydro-Electric Commission against the Government amounted to \$71,347.41. Whether or not the Legislature should make any reduction in the rate charged

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The Hydro-Electric Commission is a question for the Legislature to decide. It is clear that no reduction was made and the amount charged by the Government was the amount due to it by the Commission. Mr. Clarkson properly computes interest in his statement at the rate provided by law.

The Hydro-Electric Commission states that when it paid the interest to the Government at the end of 1921, one of its officials handed to the Assistant Provincial Treasurer a statement showing interest computed at five per cent. and making the deductions above referred to. The representatives of the Commission state that the Commission's cheque for the amount it claimed was due, was received and that the account of the Commission, made up as above, was receipted by the Assistant Treasurer and that the Government has made no claim against the Commission since that time for any shortage. This statement is confirmed by testimony given before us by the Deputy Provincial Treasurer. The obvious and proper course would have been for the Assistant Treasurer to have given credit for the amount paid and at once to have demanded payment of the balance. It seems remarkable that, when there was a shortage of over \$70,000 in the payment the matter should have been allowed to rest and that no account shall have been rendered to or demand for payment made upon the Hydro-Electric Commission since that time. The Deputy Provincial Treasurer did not even bring the matter to the attention of the Provincial Treasurer until a few months ago. It is not easy to comprehend why such laxity was shown except on the ground that as the Hydro-Electric





Commission is a department of the Government, the Deputy Treasurer assumed that its statements should be accepted as correct.

HOW TO MEET THE DEFICIT.

If the terms of the agreement between the Hydro-Electric Commission and the City of Port Arthur were carried out, Port Arthur would have to pay the entire deficit in the form of higher rates for power, but if it did so, its rate would be more than \$60 per horsepower - a rate which it is clear it could not pay. Mr. C. F. Clarkson, the auditor of the Hydro-Electric Commission, states that the Commission has no funds out of which to meet the deficit. Sir Adam Beck in reply to our inquiry as to how the deficit should be met took the position that we have already described and said:

"I think the Government is morally bound to assume that out and out altogether."

Question: "Assume it and pay it out of what?"

Answer: "Out of the Treasury of the Province of Ontario"

Mr. Gaby, the Chief Engineer, takes a different position, as the following extract from his evidence shows:

Question: "You would not suggest that the Government should take over this deficit and pay it off and not look to the System to make it good?"

Answer: "No, I would not do that. I would say in time the System should make good its deficit in the earlier years, and the statement we have prepared shows it will not be many years before it will be overtaken."

Mr. Matthews, Mayor of Port Arthur, takes the same position as Mr. Gaby. He expresses the opinion that the System could and would substantially meet all its obligations





if the Government would carry the present deficits in a suspense account. Mr. Morris, speaking for Port William expressed a different view. He said:

"The Province, we think, should write off or absorb a lot of the capital expenditure on that development."

We have already stated our reasons for arriving at the opinion that no obligation to pay off or absorb the deficit rests upon the Government of Ontario. It did not request the Hydro-Electric Commission to make the development at Nipigon - The Commission made it of its own accord.

In the whole history of the Hydro-Electric Commission this is the first occasion on which it has stated that the municipalities for which it acts cannot meet the obligations undertaken by the Provincial Government on their behalf and that the deficit will have to be taken as Sir Adam Beck puts it, "out of the Provincial Treasury."

But from whatever cause the Nipigon development came to this state, such is the state to which it has now come. The Hydro-Electric Commission cannot meet the deficit. The municipality of Port Arthur cannot carry the burden. There is only one other source to which to look and that is the Province of Ontario. It borrowed the money for the Hydro-Electric Commission. It signed the bonds; and, willingly or unwillingly, it will have to meet the deficit. The obligation incurred by the Province for the Nipigon Development has proved to be a very real and a very serious one.

The deficit now existing is but a beginning. It will grow year by year and may reach a million dollars.

It is important to note that the statement made in the  
report is not a statement of fact, but a statement of opinion.  
expressed a different view. He said:

"The position, as stated, is that the  
the statement is not a statement of fact, but a statement of opinion.  
as that statement."

We have already stated our reasons for arriving

at the conclusion that the statement is not a statement of fact,  
but a statement of opinion. It is not  
possible to state the statement as fact, but as opinion.  
The statement is not a statement of fact, but a statement of opinion.  
The statement is not a statement of fact, but a statement of opinion.

In the whole history of the Hydro-Electric Com-  
mission, there is no other source to which it can be traced  
that the statement is not a statement of fact, but a statement of opinion.

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Our first object was to show the Hydro-Electric Com-  
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- 25 -

It will, in our opinion, certainly reach close to three-quarters of a million. More capital must be advanced by the Province for additions to the plant to enable it to supply future demands for power. Its capacity now is about 25,000 h.p. Up to October 31st last the Province had advanced for capital \$6,322,000. Mr. Gaby estimates that \$6,478,000 more, or \$13,000,000 in all, will be required to complete the work.

STUDY BY MR. FRANCIS.

Our Consulting Engineer, Mr. Walter J. Francis, C.E., has prepared for us a very clear and illuminating study of the economics of the Winnipeg System. The results of the study show, as Mr. Francis points out, not only the present condition of the economics but also the conditions which will result in the future according to the manner in which the variable factors may be dealt with. In preparing his diagrams Mr. Francis has, at our request, taken after consideration the forecasts of power demand furnished to us by Mr. Gaby.

In diagram 3, prepared by Mr. Francis, it is assumed that the price for power to the municipalities is \$20 per horsepower and to pulp mills \$18. per horsepower; and that 50¢ per horsepower generated is paid to the Government for water rental, and that the interest rate on the capital expenditure is to be calculated at 6.2 per cent per annum, diminishing to 5 per cent., and the interest on the accumulated deficit at 5.5 per cent. per annum diminishing to 5 per cent. These conditions are the most favorable which we think they are justified in taking as a basis of





calculation. The diagram shows that if these conditions are realized there will be an accumulated deficit, which will in 1926 amount to over \$750,000 and will thereafter decrease and ultimately disappear in 1933. If the assumed conditions, including Mr. Gaby's estimates of the load, are not realized the deficit will, of course, be larger and repayment longer deferred.

The revenue as shown in diagram 5 is predicated as stated, on a rate of \$20 ps the municipalities and \$18 to pulp mills. These rates, in our opinion, would be fair.

The study by Mr. Francis is attached hereto as appendix "A". A retabulation by him of the estimates of the Hydro-Electric Commission appears as appendix "B".

#### A CRITICAL PERIOD.

That there should be a deficit in the Taunier Bay System is not surprising. If a similar system had been constructed by private interests provision would have had to be made to carry the undertaking over the period that there must nearly always be between construction and the time when power can be produced in paying quantities and sold at paying rates. No adequate provision is made by the Power Commission Act for carrying the undertaking over this critical period. In our opinion a careful estimate made prior to construction would have shown that in all probability the undertaking would not be able to carry itself in its early stages. This probability should have been frankly stated to the Government by the Hydro-





- 27 -

Electric Commission at the time when application was made for money for the undertaking. If, with this knowledge, the Government had decided to go on it would have done so with its eyes open.

DEFICITS SHOULD BE CARRIED IN SUSPENSE ACCOUNT.

The deficits met by the Government should be carried in a suspense account and repaid to it by the Thunder Bay System, as receipts from sale of power place it in a position to do so. That such a time will come we have no doubt - nor have we any doubt that the time will also come when the development at Cameron Falls will be insufficient to supply the requirements of Port William, Port Arthur and the surrounding district.

SECURE CUSTOMERS FOR POWER.

No time must now be lost and no effort should be spared to secure customers for power. Negotiations for the sale of power have been carried on in the past by the Hydro-Electric Commission, but apparently in a half-hearted manner-- at any rate they have been without result. From evidence given before us it would appear that if both parties to the negotiations are prepared to make a fair contract no insuperable obstacles will be found in the

no with the eyes open.

There is no doubt that the Government should be  
entitled to a complete and accurate knowledge of the  
position of the various departments of the Government  
and it is a position to be maintained. It is a  
position to be maintained. It is a position to be  
maintained. It is a position to be maintained.

It is not possible to say whether the results of the investigation will be of any value to the Government or to the public.



- 28 -

way. If a contract be made an early development should follow, and a large increase in revenue would be assured.

"ENFORCEABLE" CONTRACTS.

One of the reasons alleged for the failure of the negotiations referred to was that the purchasers of power could not procure an "enforceable" contract from the Hydro-Electric Commission. There were other terms in dispute between the parties but these were trifling. In our opinion the question of enforceability should not be permitted to stand in the way of a contract being made. If there is any reasonable doubt as to whether such a contract is enforceable, the doubt should be set at rest by appropriate legislation.

FRUITLESS ERRANDS.

The municipalities themselves, upon whom the burden must ultimately rest, are deeply interested in promoting the sale of power. Month after month and year after year, deputation after deputation has come down, at great expense, from these cities to the Hydro-Electric Commission for the purpose of implementing any negotiations going on for the sale of power and bringing them to a





- 29 -

successful conclusion. It is little wonder that representatives of the municipalities complain of having spent so much time and money on fruitless errands.

EQUAL TREATMENT FOR BOTH CITIES.

As between the cities of Port Arthur and Port William, we feel that there ought to be complete equality of treatment by the Hydro-Electric Commission in the matter of both low tension and high tension power and without regard to the fact that Port Arthur is nearer the source of power. We find that, when the vote was taken, there was a clear understanding as to this. The zone of equal rates should be extended to any improved lands contiguous to the municipalities, and there is much to be said in favor of laying down a general principle that in view of the responsibility for the Nipigon development assumed by the cities of Port Arthur and Port William, power should not be sold in any part of the Thunder Bay District at a lower rate than to Port Arthur and Port William.

PROMPT AND EFFECTIVE ACTION IMPERATIVE.

The Provincial Government has now to carry the load and will have to carry an increasing load for some years to come. Under these conditions it is imperative that it co-operate to the fullest possible extent with the Hydro-

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Electric Commission to assure greater sales of power-- for it is only by the sale of more power that the annual deficit can be reduced and revenue eventually made to balance expenditure. It should go further and insist that, where it is possible to make a contract with responsible parties for the sale of power on fair and reasonable terms, nothing should be permitted to prevent such a contract being entered into. Other questions may wait, but a deficit that is growing at the rate of \$300,000 a year calls for prompt and effective action.

Dated November 15th, 1922.

COPY

(Signed) W. D. GREGORY  
Chairman

M. J. HANBY

LLOYD HARRIS

J. A. ROES

H. A. ROSS

Electric Commission to receive greater share of power--  
The 17th of June 1934 was the date of the meeting of the  
Joint Committee on the subject of the proposed expansion of  
the power plant. It should be further noted  
that the Joint Committee on the subject of the proposed expansion of  
the power plant for the sale of power on fair and  
reasonable terms, nothing should be permitted to prevent  
such a contract being entered into. Other questions may  
arise, but a belief that in giving us the rate of \$500,000  
a year calls for prompt and effective action.

TABLE BETWEEN 1934-1935  
COPY

(Signed) W. B. HANCOCK

W. B. HANCOCK

JAMES HANCOCK

J. A. HANCOCK

H. A. HANCOCK



















